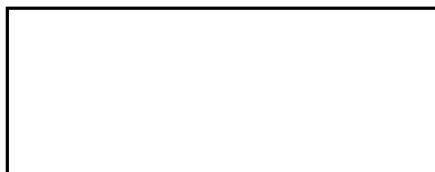
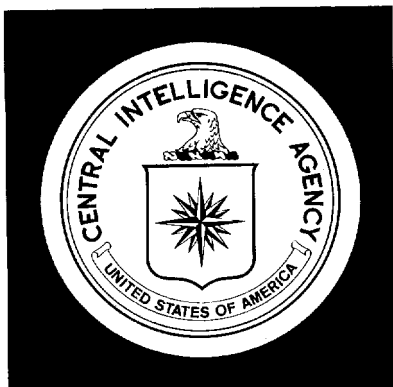


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NORTH VIETNAM - CHINA: The current visit of party boss Le Duan and Premier Pham Van Dong to China will give both sides a chance to make public reaffirmations of their solidarity. Their private discussions, however, are sure to get into matters of substance, some of them probably contentious.

The North Vietnamese received a warm but not exceptional welcome when they arrived on 4 June to begin their "friendly official" visit. Hanoi's propaganda has yet to comment editorially on the trip itself, although North Vietnamese media have been carrying general articles in praise of Sino - North Vietnamese relations.

Le Duan's inclusion in the North Vietnamese delegation is highly unusual. He has seldom gone abroad, even when matters of great import were under discussion in foreign capitals. He has never before participated in an official visit to China. His presence this time is an index of the importance Hanoi attaches to the visit in terms of both substance and protocol.

The North Vietnamese and Chinese will probably review the whole range of their relationship against the background of the Paris accord and the Sino-US rapprochement. The inclusion in Hanoi's delegation of the men who negotiate both economic and military assistance with Peking indicates that Chinese aid will be one specific agenda item.

The two sides almost certainly will discuss the current effort to strengthen and redefine the Paris accord itself--an effort which more than once has sparked expressions of unhappiness in Hanoi over pressure from its big-power patrons. The possible forms of a negotiated settlement in Cambodia, for example, are a likely topic.

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Although no official announcement has been made so far, Le Duan and Pham Van Dong may proceed to Moscow and East European capitals to complete their tour of countries that supported Hanoi over the years.

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LIBYA: The take-over of Libyan radio and television stations by government-backed "popular committees" last weekend is part of Qadhafi's continuing effort to propagandize his cultural revolution and silence domestic critics of the proposed merger with Egypt. Qadhafi has long been concerned that the stations were not imbued with sufficient revolutionary fervor. His move may have been triggered by Libyan coverage of an interview that appeared recently in the Paris press in which Tunisian President Bourguiba expressed skepticism over the Egyptian-Libyan merger.

Since Qadhafi unleashed his campaign in April to involve the people more directly in running the country, popular committees have been formed in most institutions, public utilities, and private companies. The ruling Revolutionary Command Council (RCC) appears to have the committees under control, although they have been causing increasing problems in the largely American-owned oil companies, where they have been demanding that certain employees be dismissed and others promoted. Qadhafi has promised to arm the committees, but has not yet done so.

There have been rumors of arrests, and apparently some actual arrests, of various "enemies of the revolution," causing considerable confusion and uncertainty in Tripoli. Qadhafi has claimed that only a few students, Communists, and members of the Muslim Brotherhood have actually been arrested, noting that most "revolutionary slackers" were not worth arresting. The US Embassy reports that normal life in Tripoli has been disrupted by the cultural revolution, that the Libyan populace is lying low, and that government functionaries are unwilling to make decisions.

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The Egyptian press last week began for the first time to report in detail on Qadhafi's special brand of Islamic nationalism and his cultural battle against foreign influences and the "arrogant and educated classes." This line has been greeted coolly by more sophisticated Egyptians who are dismayed by Qadhafi's "revolutionary" actions.



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WEST GERMANY: Bonn is seeking direct links with oil-producing countries.

West Germany is concerned with the security of its oil supplies, particularly from major suppliers such as Libya, which accounts for about 25 percent of German oil imports. Bonn will probe the possibility of purchasing oil directly from the Iranian Government during discussions with Iran's Economic Minister Ansari this week. Any contract by West Germany to purchase Iranian oil would not involve deliveries before 1975. Iran has already committed its total oil availability over the next two years.

Impatience with French foot-dragging on formulating an EC energy policy has encouraged this German move. In 1972 two thirds of West Germany's oil came from Arab countries. Iran, on the other hand, provided less than ten percent. Almost all of this oil was handled by international oil companies.

The Iranian Minister will also discuss recent initiatives by West German oil and steel executives to build a new 500,000-barrel per day Iranian-owned refinery on Iran's Kharg Island. Some of the shareholders of Deminex--a consortium of independent German companies--are reportedly prepared ultimately to take most of the proposed plant's output. Under the plan, German oil firms would provide oil purchase contracts against which construction funds could be borrowed.

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MONETARY DEVELOPMENTS: The dollar continued its sharp decline yesterday in light trading on European markets. In West Germany the dollar closed at about 2.6 Deutsch marks, a six-percent depreciation in the mark-dollar rate since 28 May. The pound sterling also rose sharply against the dollar, and gold continued its marked advance to \$123.50 on the London market, up \$5.75 over last Friday.

After two months of relative stability in world money markets, all of the major European currencies have now appreciated sharply against the dollar. The German mark has made the strongest gain, advancing 8.5 percent since 19 March. The Japanese yen, on the other hand, has risen only 0.3 percent since March.

Despite the substantial appreciation of European currencies, there has been little official reaction. The strength of the present economic boom in Europe has lessened European concern about the impact of falling dollar prices on their trade position. Burgeoning domestic demand will presumably be adequate to compensate for any losses in foreign sales. The present system of floating exchange rates has also eliminated the need for unpopular central bank intervention to support the value of the dollar.

European bankers are now fearful that the dollar will continue to move downward for some time. Even though objective indicators have revealed no substantial new negative factors in the last few months, concern over US political and economic stability, surging speculative interest in gold, and ebbing confidence in the dollar as a reserve and trading vehicle have combined to weaken the value of the dollar.

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FINLAND: The Communists have once again delayed Finland's signing of its draft free trade agreement with the EC. The Communist-dominated Finnish People's Democratic League (SKDL) blocked domestic legislation that the Social Democratic-led coalition has insisted must be passed before the EC agreement can be signed. The Social Democrats' coalition partners may press for signature of the agreement even without the domestic legislation, despite the increased tensions this would cause within the government.

Although the SKDL is split into Stalinist and liberal factions, it is united in its opposition to a Finnish-EC tie. The parliamentary maneuver further stalls implementation of an agreement that Finland and the EC negotiated nearly a year ago. Since then, Finland has negotiated a separate cooperation agreement with CEMA that was signed on 14 May.

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MALAYSIA-FRANCE: Malaysia is receiving its first Exocet surface-to-surface missile-equipped patrol boats as part of a modernization program designed to give the Malaysian Navy maximum fire power at minimum cost. Four boats, ordered from France in 1970 for \$22 million, will arrive in Kuala Lumpur later this month. Four additional boats have been ordered for delivery during 1974-75. Over 100 Malaysian naval personnel have undergone training in France on the operation and maintenance of these units.

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